MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2019/2020

BAC3634 – CORPORATE ACCOUNTING 1

(All sections / Groups)

14 MARCH 2020
2.30 p.m – 5.30 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **EIGHT (8)** pages excluding the cover page with **FOUR (4)** Questions only.

2. Attempt **ALL** questions. The distribution of the marks is shown at the end of each question.

3. Please write all your answers in the answer booklet provided.

QUESTION 1 (25 MARKS)

Part A

An intra-group sale of inventories takes place when member companies in a group sell or transfer inventories to members within the group. Compare and contrast the two types of intra-group sale of inventories: downstream and upstream sales.

(3 marks)

Part B

Low Bhd and Hi Bhd, two medium-sized companies, want to amalgamate. A new company named Hailo Bhd is formed to acquire all the assets and liabilities of Low Bhd and Hi Bhd. Given below are the statements of financial position of Low Bhd and Hi Bhd as at 30 June 2019.

Statements of Financial Position of Low Bhd and Hi Bhd as at 30 June 2019

	Low Bhd RM	Hi Bhd RM
Assets		
Land and building (cost)	960,000	600,000
Plant and machinery (cost)	130,000	160,000
Goodwill	15,000	20,000
Research and development	25,000	60,000
Current assets		
Inventories	110,000	140,000
Trade receivables	125,000	160,000
Bank	185,000	120,000
	1,550,000	1,260,000
Equity		
Ordinary share capital	1,150,000	1,060,000
200,000, 10% preference shares	-	400,000
Retained profits / (loss)	220,000	(320,000)
Liabilities		
Trade payables	180,000	120,000
	1,550,000	1,260,000

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The consideration transferred is as follows:

	Low Bhd RM	Hi Bhd RM
Ordinary shares	2,000,000	440,000
Preference shares	-	350,000

The preference shares issued by Hailo Bhd are to be used to discharge the preference shareholders of Hi Bhd.

It is agreed that the fair values of the assets will be as follows

	Low Bhd RM	Hi Bhd RM
Land and building	1,000,000	500,000
Plant and machinery	Carrying amount	120,000
Inventories	100,000	70,000
Trade receivables	Carrying amount	100,000
Bank	Carrying amount	Carrying amount

Required:

In accordance with MFRS 3 *Business Combinations*:

i. Measure the goodwill and/ or bargain purchase on the acquisitions of Low Bhd and Hi Bhd.

(3 marks)

ii. Summarise the books of Low Bhd and Hi Bhd on amalgamation date by preparing realisation accounts and relevant sundry members' accounts.

(7 marks)

Part C

Given below are the statements of financial position and statements of profit or loss of Sye Bhd and its subsidiary Lyn Bhd.

Statements of Financial Position as at 30 June 2019

	Sye Bhd RM	Lyn Bhd RM
Assets		
Net assets	600,000	300,000
Investment in Lyn Bhd	240,000	-
	840,000	300,000

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Equity		
Ordinary share capital	535,000	200,000
Retained profit at 1 July 2018	120,000	80,000
Profit for the year	185,000	20,000
	840,000	300,000
Number of issued ordinary shares	300,000	100,000

Statements of Profit or Loss for the year ended 30 June 2019

	Sye Bhd	**Lyn Bhd**
	RM	**RM**
Revenue	600,000	200,000
Cost of sales	(350,000)	(160,000)
Gross profit	250,000	40,000
Expenses	(50,000)	(10,000)
Profit before tax	200,000	30,000
Tax	(15,000)	(10,000)
Profit after tax	185,000	20,000

Additional information:

a) Sye Bhd acquired 60 percent of the shares of Lyn Bhd on 1 July 2015 when the retained profits of Lyn Bhd were RM50,000. The number of issued ordinary shares of Lyn Bhd was 100,000.

b) Sye Bhd disposed of all its shares in Lyn Bhd on 31 December 2018 for RM400,000. This transaction has not been recorded in the books of Sye Bhd yet.

c) Goodwill on consolidation remains unimpaired.

d) The fair value of the non-controlling interest on 1 July 2015 was RM60,000. Goodwill is calculated for both parent and non-controlling interest.

Required:

In accordance with MFRS 10 *Consolidated Financial Statements*:

i. Assess whether there was a goodwill or bargain purchase on 1 July 2015. (2 marks)

ii. Appraise whether there is a group gain or loss on disposal of the shares in Lyn Bhd. (3 marks)

iii. Evaluate the financial performance of Sye Bhd by preparing its consolidated statement of profit or loss for the year ended 30 June 2019. (7 marks)

(Total: 25 marks)

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QUESTION 2 (25 MARKS)

Given below are the Statements of Financial Position of Ali, Baba and Congo as at 31 December x10.

	Ali RM'000	Baba RM'000	Congo RM'000
Equity and liabilities			
Ordinary shares	20,000	6,000	4,000
Accumulated profit	4,000	1,600	1,400
10% Debentures	-	-	600
Trade payables	800	1,000	600
	24,800	8,600	6,600
Assets			
Land and building	12,000	2,000	3,000
Motor vehicles	4,000	2,000	3,000
Investment in subsidiaries			
Ordinary shares in Baba at cost	5,600	-	-
Ordinary shares in Congo at cost	1,000	4,000	-
10% Debentures in Congo	-	200	-
Current assets	2,200	400	600
	24,800	8,600	6,600

Additional information:

a) Ali acquired 4.8 million of the 6 million ordinary shares of Baba on 1 January x6 when the retained profit of Baba was RM600,000.
b) Baba bought 1.6 million of the 4 million issued ordinary shares in Congo on 1 January x7 when the retained profit of Congo was RM1,000,000. On the same date, Ali bought 800,000 ordinary shares of Congo. During this date, a piece of land of Congo had a fair value that was RM2,000,000 more than its carrying value.
c) On 1 July x10, Baba bought RM200,000 of the 10% debentures of Congo.
d) Congo has not accrued the second half-year debenture interest.

Required:
In accordance with MFRS 10 *Business Combinations;*

i. Calculate the goodwill for each acquisition.

(13 marks)

ii. Illustrate the Consolidated Statement of Financial Position as at 31 December x10.

(12 marks)

(Total: 25 marks)

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QUESTION 3 (25 MARKS)

Part A

Given below are the financial statements of Prowork Group.

Consolidated Statement of Financial Position of Prowork group as at 31 December

	x8 RM'000	x7 RM'000
Plant and Equipment	3,360	1,950
Investment in associate	260	200
Goodwill	290	100
Inventory	600	450
Trade receivables	450	300
Bank	325	225
	5,285	3,225
Ordinary shares	2,450	1,250
Retained profits	1,140	700
Non-controlling interest	575	275
10% Debentures	500	400
Trade payables	620	600
	5,285	3,225

Consolidated Statement of Profit or Loss for the year ended 31 December x8

	RM'000
Turnover	5,000
Cost of sales	(3,000)
	2,000
Expenses	(1,110)
Operating profit	890
Share of profits of associate	35
Profit before tax	925
Taxation	(140)
Net profit	785

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	RM'000
Profit attributable to :	
Parent	600
Non-controlling interest	185
	785

Additional information:

a) During the year, Prowork Berhad acquired an 80% interest in a subsidiary, Zetta Incorporation by issuing 800,000 ordinary shares at RM1 each and cash of RM200,000. The goodwill of this acquisition was RM300,000. The fair value of the net assets of Zetta Incorporation was as follows:

Details	**RM'000**
Plant and equipment	500
Bank	175
Trade receivables	125
Inventory	150
Trade payables	(75)
Fair value of net assets	875

b) Prowork acquired a 20% interest in another associate by cash payment amounting RM50,000.

c) During the year, plant and equipment of carrying amount RM375,000 was sold for RM425,000. The depreciation of plant and equipment amounting RM205,000 was recorded during the year.

d) Dividends paid by Prowork during the year amounting RM160,000.

Required:

Prepare a Consolidated Cash Flow Statement for the year ended 31 December x8.

(20 marks)

Part B

Given below are the details of Gray Group for years 2018 and 2017.

Details	**2018 RM**	**2017 RM**
Current assets		
Cash	35,000	40,000
Trade receivables	114,000	85,000
Inventories	113,000	111,000
Total current assets	262,000	236,000

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Current liabilities		
Accounts payable	73,000	68,000
Accrued liabilities	27,000	31,000
Notes payable	42,000	27,000
Total current liabilities	142,000	126,000
Industry average		
Current ratio	0.60	
Acid test ratio	0.46	

Required:
Calculate and briefly interpret the current ratio and acid test ratio for 2018 and 2017 of Gray Group.

(5 marks)

(Total: 25 marks)

QUESTION 4 (25 MARKS)

Part A
Discuss the observations of the IASB on whether a current value approach should be applied to all transactions that affect NCI or just some transactions that affect NCI.

(5 marks)

Part B
The statements of financial position of three companies showed the following balances as at 31 December 2019.

	Bah Bhd RM	**Min Bhd RM**	**Tun Bhd RM**
Non-current assets			
Land	2,400,000	3,200,000	-
Plant & Machinery	1,600,000	1,400,000	2,000,000
Investments in Min Bhd	4,280,000	-	-
Investments in Tun Bhd	600,000	-	-
Current assets			
Inventories	134,000	270,000	300,000
Trade receivables	116,000	160,000	100,000
Cash at bank	70,000	150,000	100,000
	9,200,000	5,180,000	2,500,000
Equity and liabilities			
1,000,000 ordinary shares	6,400,000	-	2,000,000
1,500,000 ordinary shares	-	3,800,000	-
6% redeemable preference shares	1,200,000	-	-
Retained profits	900,000	1,000,000	400,000
8 % debentures	400,000	-	-

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Debenture interest payable	32,000	-	-
Trade payables	268,000	380,000	100,000
	9,200,000	5,180,000	2,500,000

Additional information:

a) Bah Bhd acquired 1,200,000 of 1,500,000 issued ordinary shares of Min Bhd on 1 January 2017. The retained profits of Min Bhd was RM368,000 on 1 January 2017. The non-controlling interest on 1 January 2017 was RM920,000. Goodwill is calculated based on full value method.
b) On 1 January 2017, the land of Min Bhd had a fair value that was RM1,200,000 more than its carrying amount.
c) During the year 2018, Min Bhd sold a plant with a carrying amount of RM140,000 for RM180,000 to Bah Bhd. The remaining economic life of this plant is five years.
d) Bah Bhd has not provided for preference dividends for year 2019.
e) Bah Bhd acquired 250,000 of 1,000,000 issued ordinary shares of Tun Bhd on 1 January 2019. On that date, the retained profit of Tun Bhd was RM300,000.
f) As on 31 December 2019, investment in associate was assessed as impaired by RM10,000.
g) Included in the trade receivables of Bah Bhd were RM16,000 from Min Bhd and RM14,000 from Tun Bhd.

Required:

In accordance with the requirements of MFRS 10 *Consolidated Financial Statements*, illustrate the consolidated statement of financial position of Bah Group as at 31 December 2019.

(20 marks)

(Total: 25 marks)

End of page.